



Passion for leisure

Leisure consumers prepare to rein in

Deloitte published its first Passion for leisure report in June 2016, providing a snapshot of the UK leisure industry and highlighting how important the sector has become to the UK economy.

One year on, many of the trends we reported in 2016 continue to strengthen. In this report we provide an update on consumers' attitude to spending in the leisure sector in the first quarter of 2017.

Key points for Q1 2017:

- Quarterly patterns are as expected for the time of year.
- Year-on-year, spending in the coming months looks to be subdued in some areas.
- In-home leisure, culture and entertainment and drinking in coffee shops are areas where people are expecting to cut back the most.

- Compared to Q1 2016, younger consumers plan to spend more on eating out in the next three months, while older consumers plan to spend more on holidays.

The long term change in consumer behaviour, whereby consumers have favoured spending on experiences such as eating out rather than on goods, has helped the sector to maintain its momentum. 'Recreation and culture' was the single biggest contributor to growth in consumer spending between 2015 and 2016, with restaurants and hotels also contributing positive growth.

However, while 2016 was a broadly positive year there are some challenges emerging for the sector. Rising inflation, a slowdown in nominal wage growth, a weak pound, and the uncertainty caused by Brexit are starting to put pressure on consumers' planned leisure spending.



In Q1 2017 consumers spent the same or less in most categories, except holidays and the gym, than in Q4 2016.

A seasonal trend

Tightening of belts after Christmas and cutting back in discretionary areas such as eating/drinking out, with January and February being the traditional months to book holidays.



Leisure consumers reported spending *more* on...

+4



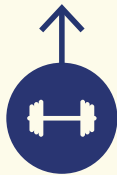
Long break holidays

+5



Short break holidays

+2



The gym



Leisure consumers reported spending *less* on...

Eating out



-3

Pubs and bars



-2

Culture and entertainment



-2

Coffee shops



-3

On the topic of holidays ... it's an age thing



18-34 year-olds

Holiday spending is expected to remain fairly consistent with Q1 2016

+1



Long break holidays

No change



Short break holidays



35-54 year-olds

Holiday spending is expected to be markedly lower than a year ago

Long break holidays



-7

Short break holidays



-8



55+ year-olds

Holiday spending is expected to increase compared to Q1 2016

+5



Long break holidays

+4



Short break holidays

Prioritised spending

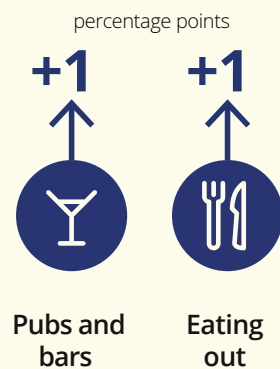
Consumers expect to spend less in Q2 2017 than what they expected to spend in the same quarter a year ago.



Consumers expect to spend less in almost every category



Apart from...



Food for thought



Are consumers refining their spending habits and identifying where savings could be made?



Are consumers cutting down on secondary spend items such as the gym and coffee shop?



Are consumers reluctant to sacrifice the pub and eating out?

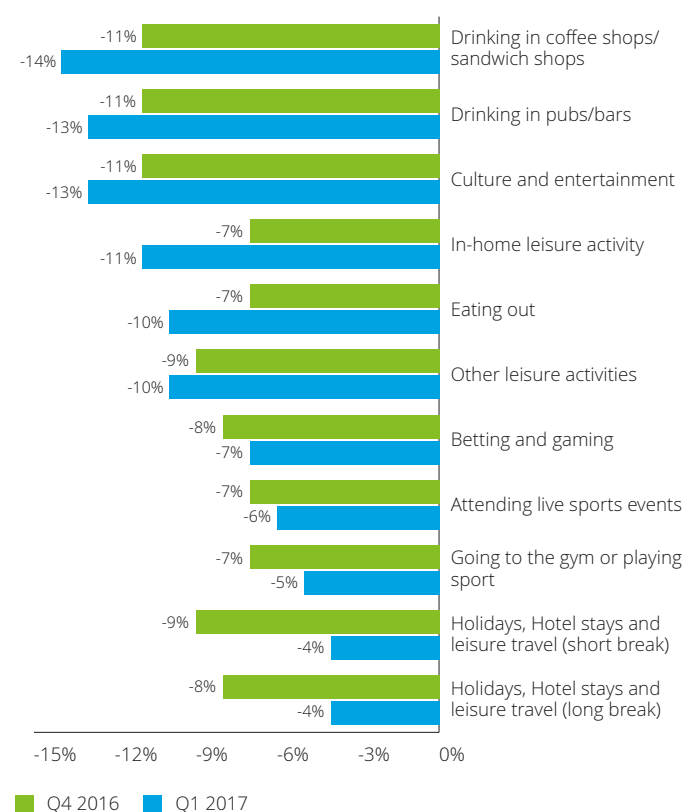
Numerical values represent percentage points which reflect changes in responses from one quarter to the next.

Seasonally driven spending in Q1 2017 compared to previous quarter

Quarterly trends for spending in Q1 2017 followed expected seasonal patterns for the post-Christmas months. For example, the net balance of reported spending on the gym and playing sport was up two percentage points. Holiday spending was also up as more consumers reported spending more in this category than they did in Q4 2016. The net balance increased by four percentage points for long holidays and five percentage points for short holidays over the quarter.

Figure 1. Category spending in the last three months

Net % UK consumers spending more by category



However, consumers engaged in some fairly stringent post-Christmas belt tightening on eating out (down three percentage points quarter-on-quarter), in-home leisure (down four percentage points), drinking in pubs (down two percentage points) and drinking in coffee shops (down three percentage points).

While seasonal spending patterns are as expected, the year-on-year spending comparisons show that spending expectations are lower in Q1 2017 than they were at the beginning of 2016. Inflation and uncertainty appear to be starting to affect spending in some categories.

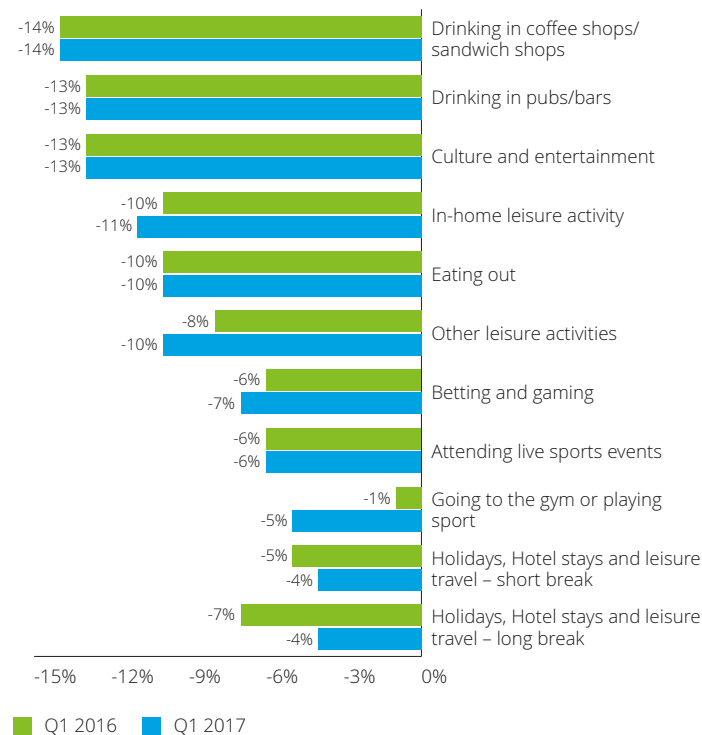
Year-on-year the trend shows more of a drop

The net balance for reported spending either fell or remained constant in nearly every category in Q1 2017 compared to the same time last year. Going to the gym or playing sport saw the biggest year-on-year fall of four percentage points from -1% to -5%, followed by 'other leisure activities' with a fall of two percentage points from -8% to -10%.

As a sign that consumers are starting to cut back on some luxuries, in-home leisure fell one point, as did betting and gaming, while in every other category the net balance of reported spending remained constant.

Figure 2. Category spending in the last three months, year-on-year

Net % UK consumers spending more by category



Holiday spending bucks the trend

The one exception was holidays. Year-on-year, the net balance for reported spending on long break holidays increased three points from – 7% to – 4% and short break holidays increased one percentage point from – 5% to – 4%.

The Office for National Statistics (ONS) data also shows consumers increased their spending on holidays abroad in recent months, as negotiations surrounding the UK's EU exit started. Between November 2016 and January 2016, UK residents' visits abroad rose by 7% compared with the same period a year earlier. They also spent 11% more. The biggest growth in visitors was to EU countries such as the Czech Republic and Malta, which joined the EU after 2004. Growth in visits to these countries rose 17%.

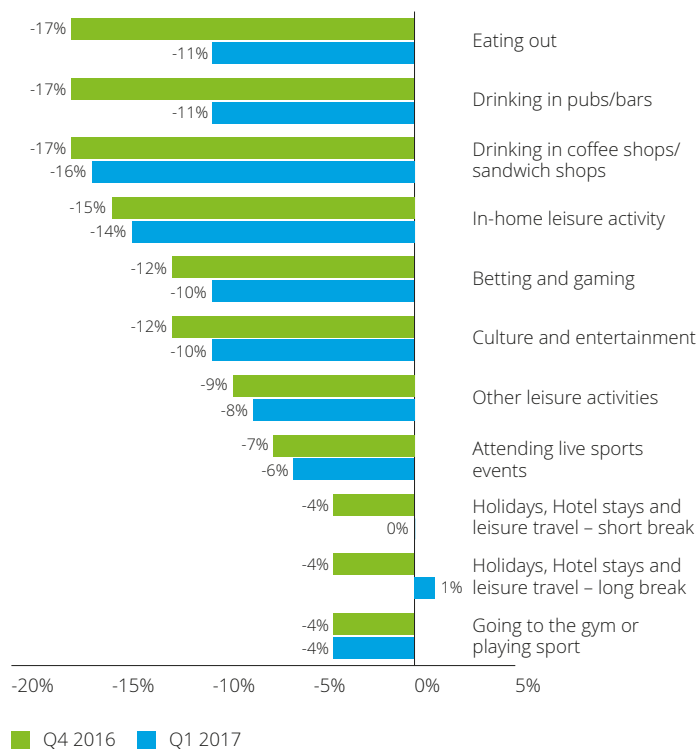
Most of the growth in visits was driven by tourism and leisure visits – business visits from the UK fell 3% over the period.

Outlook: uncertainty in the coming months

The net balance of expected spending for the next three months is higher for holidays than it was in Q4 for Q1, as consumers plan their summer break. The net reported spend on eating out and drinking in pubs and bars is also expected to increase in the next three months. Both categories were up 7 percentage points from – 17% to – 10%. Compared to Q1, more consumers expect to spend more in most categories.

Figure 3. Category spending over the next three months

Net % UK consumers spending more by category

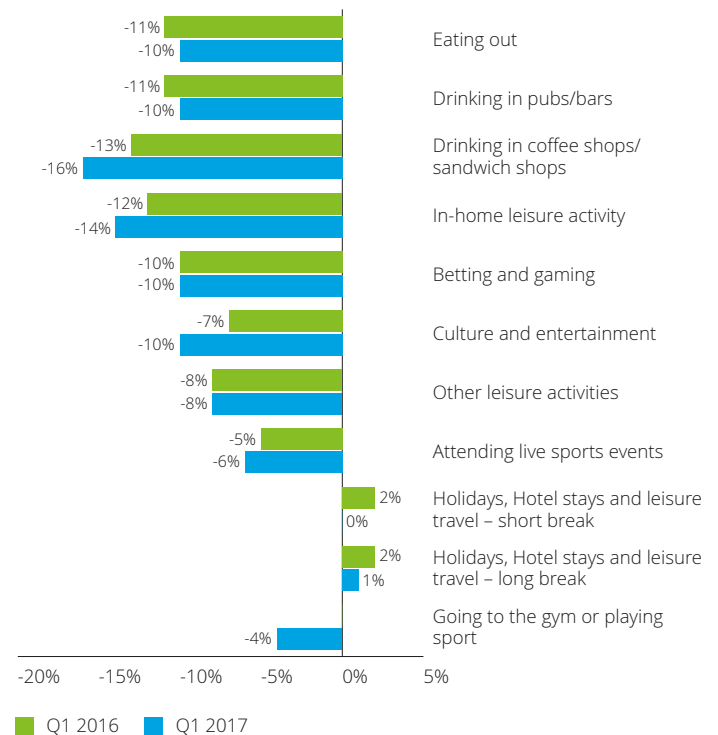


However, people's spending expectations have fallen slightly compared to their expectations this time last year.

More consumers expect to spend more on eating out and drinking in pubs in the next three months compared to the same period a year ago. However, in every other category spending expectations are lower in 2017. In particular, less spending is expected over the next three months on culture and entertainment, going to the gym and playing sport, and drinking in coffee shops compared to the same period a year ago.

Figure 4. Category spending over the next three months, year-on-year

Net % UK consumers spending more by category

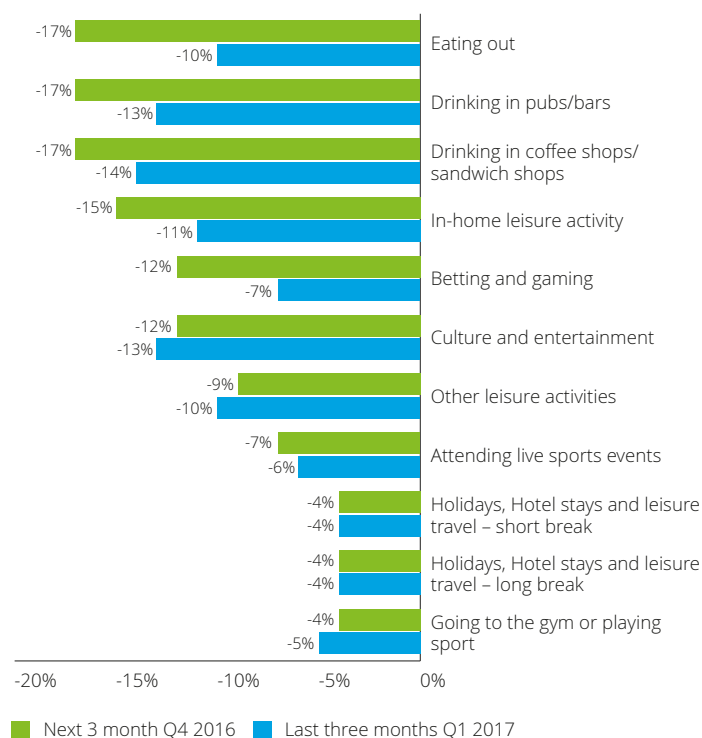


It is likely that consumers have already committed to big ticket purchases such as holidays for 2017. In addition, eating and drinking out regularly has become normal for many consumers, meaning they have so far protected these areas of spending or found them more difficult to cut down on.

Consumers are planning to cut back, however, in areas where they may feel it is less of a compromise to do so. These include the gym and playing sport, drinking coffee and in-home leisure such as takeaways and subscriptions.

So far, however, consumers have not yet managed to cut back where they planned to. In Q4, for instance, they reported plans to cut back significantly in Q1 on eating and drinking out, coffee, In-home leisure and betting and gaming. However, when asked to look back on Q1 and report their level of spending in each category, the net balance of responses in several categories was a few percentage points higher than consumers' predictions suggested they would be. This suggests consumers may be spending more than they expect to or hope to in several key leisure categories, despite intentions to cut back, a sign that those little luxuries might be more engrained habits than they thought.

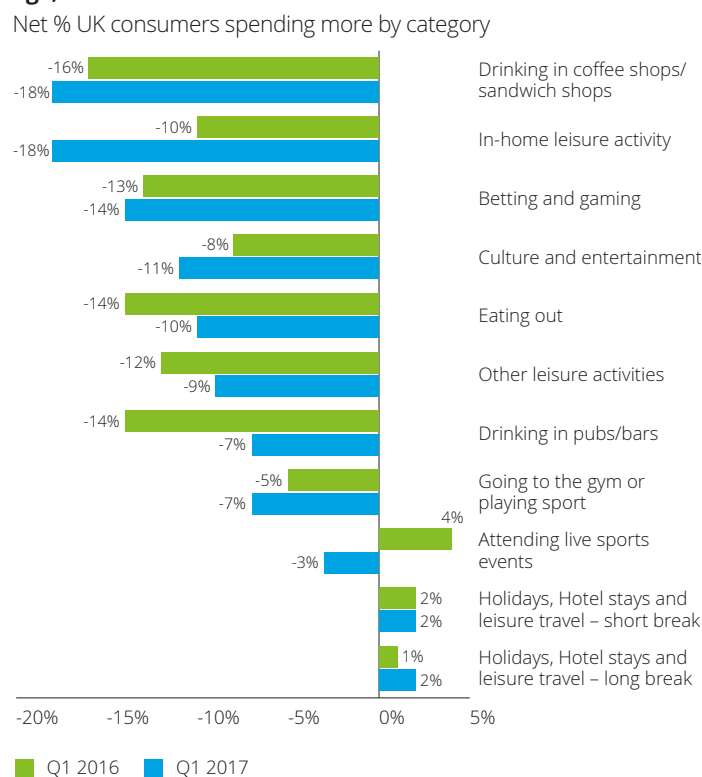
Figure 5. Next three months Q4 vs last three months Q1
Net % UK consumers spending more by category



Spending plans differ according to age

In 2017, younger consumers are protecting their spending on going out, by cutting back their spending on in-home leisure and going to the gym. The 18-34 year olds surveyed report a seven percentage point year-on-year rise in expected spending on pubs and bars, and a four percentage point rise in eating out. In-home leisure fell eight percentage points year-on-year, and expected spending on gym and playing sport fell seven percentage points.

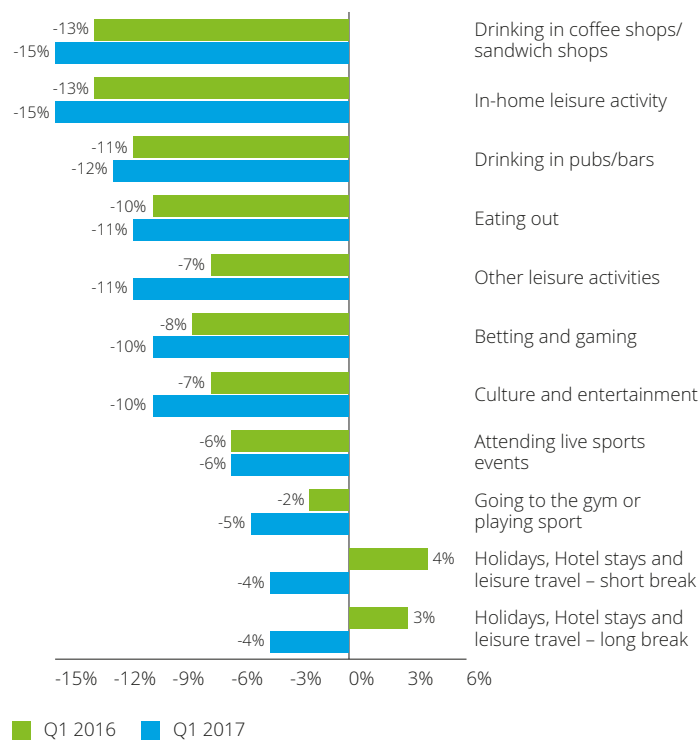
Figure 6. Category spending over the next three months by age, 18-34
Net % UK consumers spending more by category



The patterns are very different for 35-54 year olds, which is the age group mostly likely to have dependent families. This group expects to cut spending on holidays compared to 2016. This is the demographic which many families fall into, who may be feeling a squeeze on income. They also report expected falls in spending on culture and entertainment, in-home leisure, going to the gym and playing sport, and other leisure activities.

Figure 7. Category spending over the next three months by age, 35-54

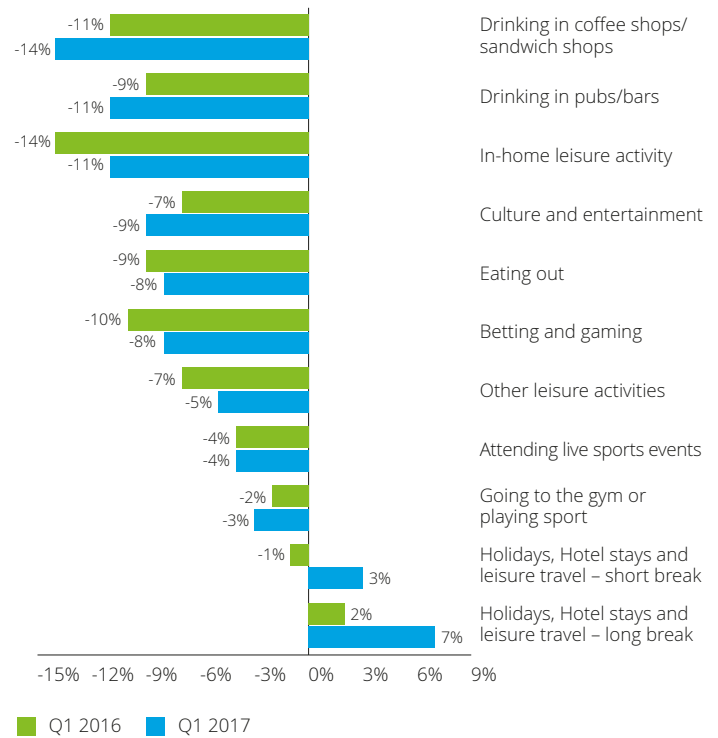
Net % UK consumers spending more by category



Spending expectations differ again for older consumers aged 55+. Across the board, this group appears less affect so far by the economic headwinds. This group expects to spend more on holidays, as well as in-home leisure, other leisure activities, betting and gaming, and eating out. The group expects to reduce spending on culture and entertainment, coffee and pubs.

Figure 8. Category spending over the next three months by age, 55+

Net % UK consumers spending more by category



Inflation expected to bite

Consumers are already showing signs of planning to cut back in some areas, with rising inflation already starting to bite. Inflation and wage growth are now running at the same 2.3% rate, and given that inflation is expected to be above 3% later this year, real incomes are set to fall.

Several leisure categories, such as holidays, tend to be among the last hit when consumers reduce their spending. But uncertainty and rising inflation are likely to hit most parts of the consumer economy in the coming months. Throughout 2017, leisure companies will need to work harder to attract spend as the squeeze on disposable incomes continues.

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